

Message Text

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ACTION EUR-12

INFO OCT-01 AF-06 ARA-06 ISO-00 SAM-01 OPIC-03 SP-02

AID-05 EB-07 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04

OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00

USIA-06 XMB-02 LAB-04 SIL-01 L-03 H-02 PRS-01 PA-01

SAJ-01 DODE-00 AGR-05 /106 W
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R 141215Z AUG 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 3777

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY PARIS

USMISSION OECD PARIS

AMCONSUL RIO DE JANEIRO

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

USMISSION NATO

AMEMBASSY VIENNA

AMCONSUL LOURENCO MARQUES

AMCONSUL LUANDA

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E.O. 11652: N/A

TAGS: ECON, EINV, PO

SUBJ: CUF NATIONALIZED

REF: LISBON 4553 (NOTAL)

SUMMARY: GOP NATIONALIZED AND IS TO REPLACE TOP MANAGEMENT OF COMPANHIA UNIAO FABRIL (CUF), BUT MADE NO REFERENCE TO COMPANY'S SUBSIDIARIES. DISMEMBERMENT OF GROUP EVIDENTLY CONTINUES, WITH FOREIGN CAPITAL IN LISNAVE NOT DIRECTLY CONFRONTED. SITUATION OF CUF HOLDINGS IN BRAZIL, ANGOLA AND MOZAMBIQUE UNCLEAR. END SUMMARY.

1. AFTER MONTHS OF PRESSURE FROM WORKERS AND LEFTIST GROUPS, COUNCIL OF MINISTERS ON AUGUST 12 APPROVED NATIONALIZATION OF COMPANHIA UNIAO FABRIL (CUF), KEYSTONE OF HUGE CUF INDUSTRIAL AND FINANCIAL GROUP. DIRECTORS WERE DISMISSED AND ARE TO BE REPLACED BY SEVEN-MAN ADMINISTRATIVE COMMITTEE. IN CONTRAST TO OTHER NATIONALIZATIONS TO DATE, RIGHT OF STOCKHOLDERS TO COMPENSATION WAS EXPLICITLY AFFIRMED. AMOUNT AND FORM OF COMPENSATION IS TO BE DEFINED WITHIN 180 DAYS.

2. COMMENT:

A. CUF NATIONALIZATION MEETS ONLY PART OF WORKER DEMANDS FOR NATIONALIZATION OF ENTIRE GROUP. CUF IS MINI-CONGLOMERATE IN ITS OWN RIGHT-MANUFACTURER OF AGRICULTURAL, INDUSTRIAL, FOOD, AND TEXTILE PRODUCTS, WITH 11,500 EMPLOYEES, \$100 MILLION IN REGISTERED CAPITAL, AND 1974 SALES OF \$220 MILLION. IT IS, HOWEVER, ONLY PART OF A MUCH LARGER GROUP OF WELL OVER 100 COMPANIES IN WHICH CUF HAS INTERESTS. THIS LARGER GROUP, BEFORE 1974 COUP, CONTROLLED ABOUT 20 PERCENT OF PORTUGUESE INDUSTRY AND CONSTITUTED LARGEST INDUSTRIAL COMPLEX ON IBERIAN PENINSULA.

B. GROUP HAS BEEN CONTROLLED BY POWERFUL DE MELLO FAMILY, HEADED BY JORGE AND JOSE MANUEL DE MELLO. FORMER WAS JAILED BRIEFLY AFTER ABORTIVE MARCH 11, 1975 COUNTER-COUP. THEY HAVE MAINTAINED PUBLIC SILENCE WHILE THEIR HOLDINGS ARE BEING DISMEMBERED. AT LEAST 23 COMPANIES AND BANKS IN THE GROUP HAVE BEEN NATIONALIZED OVER THE PAST FIVE MONTHS. SUPERMARKET CHAIN (PAO DE ACUCAR) WAS INTERVENED IN APRIL AND ALL REMAINING COMPANIES IN LIMITED OFFICIAL USE

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GROUP HAVE HAD A GOVERNMENT DELEGATE/ADMINISTRATOR SINCE MAY (LISBON 2925 NOTAL).

C. STATUS OF REMAINING COMPANIES IN WHICH CUF PARTICIPATES IS UNCLEAR. DUE TO INTERLOCKING STOCKHOLDINGS AND DIRECTORSHIPS, AND LARGE PERCENTAGE OF STOCKS HELD IN BEARER SHARES (WHICH HAVE UNTIL SEPTEMBER 30 TO BE REGISTERED (LISBON 2322 NOTAL)), EVEN GOP PROBABLY DOES NOT KNOW EXTENT OF ITS DIRECT CONTROL OVER GROUP.

D. SITUATION OF HUGE AND IMPORTANT LISNAVE SHIPYARD ALSO REMAINS UNRESOLVED. GOP PROBABLY HAS GAINED CONTROL OF FIRM'S STOCK. SEVEN PARTIES HOLD 60 PERCENT OF STOCK; FIVE OF THEM HAVE BEEN NATIONALIZED (FOUR CUF SHIPPING COMPANIES AND A BANK). THREE DUTCH AND TWO SWEDISH SHIPYARDS HOLD REMAINING 40 PERCENT (SEE REFTTEL).

E. IN AUGUST 9 LISBON PRESS, LUIS SOARES DE OLIVEIRA, CUF DIRECTOR IN BRAZIL, WAS QUOTED TO EFFECT THAT LISNAVE STILL HAS GOOD CHANCE OF PARTICIPATING IN RIO SHIP REPAIR-YARD RENAVE, AND THAT CUF PLANNED "SUBSTANTIAL INCREASE" OF ITS ACTIVITIES IN BRAZIL. HE ALSO SAID THAT JOSE MANUEL DE MELLO (REPORTED NOW TO BE IN SPAIN) WILL VISIT BRAZIL NEXT WEEK. IT IS ENTIRELY POSSIBLE THAT JOSE MAY TRY TO SPLIT OFF CUF'S INTERESTS IN BRAZIL FROM THE NATIONALIZED PARENT. WOULD APPRECIATE ANY INFORMATION AVAILABLE TO EMBASSY BRASILIA OR CONGEN RIO DE JANEIRO.

F. ALSO UNCLEAR IS STATUS OF CUF HOLDINGS IN ANGOLA AND MOZAMBIQUE, WHERE AT LEAST 30 COMPANIES OF GROUP APPEAR TO BE CONCENTRATED.
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